

# COMMENCEMENT ADDRESS

to the

## UC-BERKELEY HAAS SCHOOL OF BUSINESS

California State Treasurer Phil Angelides  
Sunday, May 25, 2003

Thank you, Dean Campbell, for your kind introduction and for extending to me the honor and privilege of addressing this distinguished class of graduates today. Congratulations to the class of 2003 and a warm welcome to everyone joining us on this special day.

On a personal note, I would like to acknowledge and congratulate Priya Mathur, my colleague on the board of the California Public Employees' Retirement System, as she receives her MBA.

I want to talk to you today about the challenges we will face here in California in the years and decades ahead. And, I will speak to you about what you can do to contribute to California's success and competitiveness in the global economy – as business leaders directly, by the kinds of enterprises you build, but also in the larger context, as civic participants, by the kinds of communities you will help shape.

As you contemplate your next step, whether it be to private enterprise, public service or a non-profit venture, I would like to provide a little perspective on where we have been as a state and a nation, where I think we are headed, and how that odyssey can be navigated with solid ethical values and a sense of responsibility.

During the latter half of the 1990s, we witnessed a remarkable economic boom. In many respects, we ended the 20<sup>th</sup> Century as the richest state in the wealthiest nation on earth. Then, we were hit by a perfect economic storm: a string of financial funnel clouds and tsunamis that tore off our economic rudder and sent us adrift.

Looking back, they read like a list of plagues of near-biblical proportion: The energy crisis. The collapse of the dot-com and telecom industries. The increased national security threats and destructive fear following the September 11 attacks. And a stock market plunge stoked by a wave of corporate scandal not seen since the great market crash of 1929.

The boom turned to bust with a vengeance, reminding us that, in any society, economic progress is never simply handed to anyone. It must be earned.

The bursting of the bubble, the revelations of market excesses and abuses, the uncertain times we live in today – they are all painful reminders of the fallacy of some of the notions that became popular in the 1990s. The notions that riches could be created through artifice, that the economy could sustain itself in the context of ever-growing disparities of opportunity, and that ethics and corporate responsibility were somehow anachronisms in this new economic age.

As we gather today, we must vow to return to those economic values that made this state and this nation great – a willingness to make investments for the long term, and

a commitment to create true, broad-based wealth that strengthens our economy *and* our society.

Let me be clear, though. This is no routine call to financial arms. The uncertain economic times we face are like no other – because the ethical lapses of the past few years have raised troubling questions about the fairness and integrity of our financial institutions, and about the productive role of corporations and capital in our society. To rebuild our economy, we must also restore faith in our free enterprise system.

There is a natural tendency – after a string of setbacks – to give in to dejection and hang our heads. But now is not the time to look down. Rather, given the magnitude of the challenges before us, we must look ahead and confront our future head-on.

As I look forward, I see two challenges – beyond the important work of restoring trust in our financial marketplace – that we must confront and surmount in the years to come, if we are to remain competitive in the global economy and if we are to bolster the strength of our social fabric.

The first is to find a way to maintain the quality of life that, throughout the 20<sup>th</sup> Century, attracted talented individuals and businesses to California from around the world and contributed to our State's economic vitality.

In the years ahead, this will be a formidable task, as our population is expected to grow from more than 35 million today, to 46 million by the year 2020, to 59 million by the year 2040.

California's growth is coming with a diversity unseen around the world – with more than 100 native languages spoken today in our public schools. That diversity brings with it power and potential, anchored in the immigrant community's work ethic and its belief in the California Dream of limitless opportunity and upward mobility.

But this growth will also bring enormous challenges – the challenge to keep our communities livable, our environment clean, our infrastructure modern and sufficient, and our public education system first-rate.

The second major hurdle this State faces is to reverse the increasing disparity of opportunity that threatens to undermine our economy and sow the seeds of social discord.

Today, one of every six California children lives in poverty. In the San Joaquin Valley, between Stockton and Bakersfield, that ratio is one in three. Even in the boom years of the 1990s, the average income of the poorest 20 percent of California residents remained mired at about \$14,000 a year. And today, nearly 7 million Californians have no health insurance.

California is dangerously devolving into a two-tiered society, a society, if you will, of “two Californias” – one that reaps the benefits of economic progress and another that is left to languish in struggle and despair. Indeed, this widening chasm of opportunity is among the most serious of the challenges we face.

Are these high hurdles? Absolutely. But we have no choice but to scale them. We can be economically strong in the decades ahead – but only if we make the necessary investments in our future, committing our energy and capital today to create sustained wealth for tomorrow.

In the 21<sup>st</sup> Century, California will not be the cheapest place on earth to do business, although we should not be blind to what it takes to create a business climate that helps innovative entrepreneurs to succeed. We will never be able to produce goods as cheaply as a whole host of third-world countries. So, we must strive to be the best. We

must build on our competitive advantages – the excellence of our enterprise, our quality of life, and the promise of opportunity.

For those of you who choose to work in the public realm or non-profit sector, that means focusing on goals such as improving public education; rebuilding the state's outmoded infrastructure; developing livable communities; and bridging the gap of wealth and poverty.

For those choosing the private realm, you must be corporate leaders *and* community leaders, committed not only to building your own businesses, but also to doing so in a way that responds to the large challenges we face.

In a free enterprise system, how capital moves, how business conducts itself, how markets operate – are as important as public policy in shaping the contours of our society. Indeed, California in the last half of the 20<sup>th</sup> Century became a global economic powerhouse, through a blend of strategic public investment in schools, parks, transportation, water projects, a great university – *and* unmatched private sector innovation, wealth creation, and entrepreneurship.

As you move forward from this day, I have a few ideas on how you, as our future leaders, can help ensure that the private sector contributes to California's sustained success in the 21<sup>st</sup> Century.

At the top of my list is conducting business with the highest sense of ethics and responsibility. I would urge you to ask yourselves each and every day – as you pursue your business and public lives – whether what you are doing is right, what you are doing is fair, what you are doing is responsive and responsible to your employees, your customers and your community. By the standards of conduct you set in the course of your business endeavors, you can be an individual and collective force to renew the faith in our financial system so essential to our long-term economic progress.

Your business and professional pursuits must be a reflection of our values and the values of our society. Do not ever think that your life as a business leader is somehow apart from your role as a citizen in the greater society. For, in the end, you cannot have a successful business in a failing economy and society. You cannot have sustained economic progress in the context of a discredited financial system, a declining quality of life and an increasing disparity of opportunity.

Think about this for a moment. Who is the real estate developer who is admired most? It is the developer who is not only profitable, but the one who also builds the project of enduring value that enriches a community. Which is the most admired technology company? It is the company that is profitable, but that also creates new technology that improves our lives and boosts our productivity. If you pursue the “double bottom line” of profits for your enterprise and broadened wealth for the community, you will enhance both California's prospects and your own prospects for long-term economic success.

Secondly, I believe that you must use your talents and training in business to improve the quality of life in the communities in which you live and work. It will require both active public-sector engagement and private-sector leadership if we are to respond effectively to the growth challenges I outlined earlier.

There are many ways in which you can make a difference to strengthen your communities and, thereby, our economy. You can advocate for public actions and policies – investments in transit, schools and parks – which establish the public

foundation of private economic expansion. You can participate – financially and with your time – in the after-school, social services, literacy and community-health programs that bolster our public fabric. And, you can conduct your business in ways that directly enhance our quality of life. For example, environmental practices and technologies you employ can help ensure a livable and environmentally strong California in the 21<sup>st</sup> Century.

Simple acts of responsibility can be meaningful: locating your business in an urban neighborhood on a transit line can reduce air pollution, traffic congestion and sprawl. Using energy conservation and efficiency measures can reduce resource consumption, environmental degradation and business costs.

But whatever route you choose, just do it. In this regard, I want to commend the Haas School for launching a new voluntary program this year to encourage students to pursue community service as part of their academic regimen. I understand that members of next year's graduating class will be the first to be recognized for performing 50 or more hours of community service. I applaud these efforts.

And finally, all of us need to find ways to use the power of private enterprise to close the gap between rich and poor and to lift up the prospects of those Californians and those communities that have not fully shared in the fruits of our economic progress.

In that vein, we need to open our eyes and our minds to the great potential and opportunities that exist in our communities of diversity, which, too often have been overlooked, but in so many ways represent our economic future.

If we do not close – or at least narrow – the disparity of economic opportunity in our state, the consequences will be a weakened economy and a ledger full of missed opportunities.

Certainly, this is not a new concept. Aristotle saw poverty – the absence of a shared stake in society – as a great threat to democracy. Lester Thurow, the noted MIT professor, has rightly asked, "How does one preach political equality in an economy of ever-growing inequality?" And, here and now, we must ask ourselves if the California Dream can remain alive in a state divided into "haves" and "have-nots."

All of us need to begin thinking now about what California is going to be like and look like in 50 years. We must begin now to reshape our economy to follow the contours of our burgeoning diversity.

Let me give you an example. Shortly after I took office as State Treasurer, in 1999, I read an article in the Los Angeles Times that noted that four leading Korean-American banks in the area were making more small-business loans in Los Angeles County than Bank of America and Wells Fargo combined. So, I asked my staff how much of the state's money we had on deposit in those four banks. The answer? Zero. Today, we have more than \$257 million in seven Korean-American banks, and we also have placed funds in Chinese-American banks, African-American banks, rural banks, and credit unions across this state. We get a solid return for our investment, and we provide capital to the very institutions that are making home and business loans in our own economy.

In all, my Office, and the two large public pension funds on whose boards I sit, have directed more than \$8 billion to these kinds of double bottom line investments. These are not only good business opportunities, but also opportunities to build wealth more broadly in California.

This is a pivotal time in your lives, as it is for our state and nation. If we all work together, and if you firmly embrace your responsibility for leadership, then I believe we can make California, in the 21<sup>st</sup> Century, a model of sustained economic success. We will prevail, *if* we remain principled and act responsibly, *if* we strive to improve our quality of life, and *if* we become a state that defines its success by throwing open the doors of opportunity for everyone to participate.

Thank you for having me with you today. Congratulations and the best of luck to you, the class of 2003, as you face your future.